

Office of Management and Budget's (OMB) Proposed Federal Grant Rule: Key Changes and Potential Consequences

In late May, the Office of Management and Budget (OMB) proposed a [rule](#) that would significantly change how federal grants and cooperative agreements are awarded, managed, and terminated across the federal government. Following are some of the particularly consequential changes for grant and cooperative agreement recipients.

Greater Centralization of Federal Grant Policy

- **Proposed Change:** OMB proposes converting the Uniform Guidance from government-wide *guidance* into a government-wide *regulation*. Under the current framework, federal agencies generally adopt OMB grant policy changes through their own rulemaking processes. Under the proposal, future OMB regulatory changes would apply directly across participating federal agencies without requiring separate agency rulemaking.
- **Why It Matters:** Codifying the Uniform Guidance as a federal regulation would give government-wide grant requirements the force of law rather than guidance. This change would centralize federal grant policy within OMB and create a more uniform set of requirements across participating agencies. While future revisions would still generally be subject to federal rulemaking requirements, agencies would no longer need to separately adopt those changes through their own rulemaking processes. As a result, there could be fewer opportunities for agency-specific public input and less flexibility for agencies to tailor grant policies to their missions, programs, and recipient communities. Future government-wide changes could therefore have broader and more immediate effects across the federal financial assistance system.

Political Oversight of Grants (§ 200.205)

- **Proposed Change:** Under the proposed rule, senior political appointees designated by agency heads would be required to review discretionary funding awards prior to approval. As articulated in the [Ropes & Gray analysis](#) of the proposed rule, “these senior appointees must apply specific principles, including ensuring that discretionary awards ‘demonstrably advance the President’s policy priorities.’” The analysis goes on to point out, “the proposed rule explicitly states that peer review recommendations must ‘remain advisory’ and not be ‘ministerially ratified [or] routinely deferred to’ by senior appointees.”
- **Why It Matters:** While agency leadership has historically exercised oversight and discretion in funding decisions, the proposed rule would make political review a formal and required component of the award process while reducing the role of peer review recommendations to one factor among many.

Indirect Cost Reimbursement (§ 200.205)

- **Proposed Change:** While the proposal does not change how indirect cost rates are negotiated or calculated, it does instruct agencies to consider indirect cost rates as one of the factors determining whether a grant is awarded.
- **Why It Matters:** This consideration, which could be applied to one grant or cooperative agreement, or could be applied to all grants and cooperative agreements at an institution, would create a competitive disadvantage for certain institutions.

Expanded Authority to Terminate Grants (§ 200.340)

- **Proposed Change:** The proposal would expand and standardize federal agencies' authority to terminate grants and cooperative agreements. While current regulations already allow agencies to terminate awards in certain circumstances, the proposed rule would expressly authorize termination of an individual award or an entire class of awards if an agency determines that the funded activities no longer advance program goals, federal agency priorities, or the national interest as those priorities are defined at the time the termination decision is made. The proposal would also create a new temporary suspension or stop-work authority and establish additional grounds for termination through award terms and conditions.
- **Why It Matters:** These changes would make long-term federal funding less predictable and increase the risk that ongoing projects could be suspended or terminated before completion. The ability to terminate an entire class of awards based on changing priorities or interpretations of the national interest is particularly concerning for multi-year research efforts, where continuity is often essential to producing meaningful results. Clinical trials, longitudinal studies, disease registries, public health surveillance activities, and basic research cannot be paused and restarted without consequences. By expanding agencies' ability to suspend or terminate awards after they have been made, the proposal would increase uncertainty, disrupt ongoing work, and slow the scientific and medical progress that federal research funding is intended to support.

New Oversight Conditions (§ 200.303(f))

- **Proposed Change:** The proposal includes expanded applicant and award recipient review criteria, creating additional reporting and oversight requirements, including mandatory [E-Verify](#) participation for recipients and subrecipients performing work in the United States under federal awards. If a new requirement is created or adjusted during the award period, the changes and implementation must occur within 15 calendar days.
- **Why It Matters:** The mandatory E-Verify requirement may be particularly challenging for institutions managing large research enterprises or complex networks of subrecipients. In addition, requiring recipients to implement new or revised award requirements within 15 calendar days could create significant

operational burdens, particularly for multi-institution projects that require updates to policies, systems, contracts, or subaward agreements. The cumulative effect could be increased compliance costs, greater administrative burden, and less time and funding available for the activities federal awards are intended to support.

Codifying Restrictions on Health Disparities Research (§ 200.218) (§ 200.300(b))

- **Proposed Change:** The proposal would place new restrictions on research focused on addressing health disparities.
- **Why It Matters:** These provisions would create a chilling effect on research aimed at understanding why some communities experience higher rates of disease, poorer health outcomes, or greater barriers to care. Faced with uncertainty about what activities remain allowable, institutions and researchers are likely to scale back or avoid health disparities research, including studies examining differences in health outcomes affecting rural communities, veterans, racial and ethnic minorities, sexual and gender minority groups, people with disabilities, older adults, children, tribal communities, and patients with rare or chronic diseases. As a result, the nation would lose valuable evidence needed to identify emerging health challenges, target prevention efforts, and improve treatment strategies. Over time, these restrictions could impede the development of evidence-based solutions that save lives, improve health outcomes, and reduce healthcare costs.

Restrictions on Foreign Research Partnerships (§ 200.220)

- **Proposed Change:** The proposal would impose new restrictions on international research collaborations involving certain "covered foreign countries" and "covered foreign entities," while also increasing disclosure, review, and compliance requirements for foreign partnerships and subawards. Exceptions would generally require statutory authorization or a determination that the activity presents no national security risk.
- **Why It Matters:** International research partnerships often provide access to specialized expertise, unique datasets, research infrastructure, and patient populations that strengthen scientific discovery and improve understanding of diseases that affect Americans. As a result, international collaborations may become more difficult and time-consuming to establish and manage, potentially limiting opportunities for scientific exchange and access to important global research resources. Over time, these changes could slow progress in research areas where international cooperation is essential.

Expanded Subaward Oversight Requirements (§§ 200.329(b); (§§ 200.331(c); 200.332(h)) (h); 200.332(g); (§ 200.332(i)); (§ 200.333); 200.340(a)(1))

- **Proposed Change:** The proposal would increase oversight, reporting, and monitoring requirements for organizations that pass federal funding to

subrecipients. Recipients would face greater responsibility for ensuring subrecipients comply with award requirements. In addition, new grant requirements and conditions would generally flow down to subrecipients, extending compliance obligations throughout the funding chain.

- **Why It Matters:** Pass-through entities are already required to monitor subrecipients, but these changes would increase the level of oversight expected by federal agencies. Organizations that manage large numbers of subawards, such as universities, research institutions, and nonprofit organizations, would face additional administrative requirements. These requirements would make it more complex and costly to establish and manage research partnerships, potentially discouraging collaborations and reducing the efficiencies, specialized expertise, and scientific synergies that multi-institution research projects are designed to achieve.

Scientific Communication and Professional Engagement (§ 200.421); (§ 200.432(b)); (§ 200.461)

- **Proposed Change:** The proposal would require federal agency approval for certain costs associated with scientific communication and professional engagement. Publication costs in academic journals and attendance at scientific conferences would require case-by-case agency approval. The proposal would also require prior approval for certain membership and dues costs and would prohibit charging membership or subscription costs associated with issue advocacy organizations to federal awards.
- **Why It Matters:** Publication in peer-reviewed journals, participation in scientific conferences, and engagement with professional societies are essential to the advancement of science. These requirements would create barriers to the timely dissemination and exchange of scientific knowledge by slowing the communication of research findings, limiting opportunities for collaboration and peer review, and reducing participation in scientific and professional communities. The result would be slower scientific progress and delays in translating research findings into improved health outcomes.

Bottom Line

The proposed rule would weaken the role of expert scientific review in funding decisions, elevate political review, expand agencies' authority to suspend or terminate awards, have a chilling effect on health disparities research, disincentivize research collaborations and scientific exchange, and impose new requirements that slow, add costs to, and reduce the volume of research conducted in the U.S.

Taken together, these changes would move the federal research funding system away from scientific merit, collaboration, and stability. The result would be slower scientific and medical progress, delaying the discoveries, treatments, cures, and public health advances that Americans depend on.

For a comprehensive review of this 412-page proposed rule and how the proposed changes compare to current policy, we recommend the previously referenced [analysis](#) by Ropes & Gray.